GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5388
ANSWERED ON:22.12.2000
PROTECTION OF SMALL INVESTORS
DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have received representations from retail investors and the President, Small Investors Forum to probe into the role of the Over the Counter Exchange of India in trading shares of small companies as the small investors had lost Rs. 2,5000 crore in the bourse, which was not taking cognizance of investors` complaints;

(b) if so, the details thereof;

(c) the response of the Government towards these representations;

(d) whether it is also a fact that about 30 companies out of 114 listed in OTCEI have not sent share certificates to investors;

(e) if so, the reasons therefor; and

(f) the action being taken against these companies?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH) :

(a) to (c) The Ministry of Finance has received representations from Investors`Associations seeking details on the functioning of Over The Counter Exchange of India(OTCEI). The representations, inter-alia, sought information on promoters of the Exchange,details regarding volume of turnover, profit and loss, position of reserves, investor complaints received by the Exchange etc. The Ministry has examined the representations in consultation with the Securities and Exchange Board of India (SEBI) and the OTCEI andhave sent detailed notes on the issues raised in the representations to some of the Investors` Associations. So far 115 small to medium cap companies have raised equity to the extent of Rs. 342.52 crore through the exchange and 114 companies continue to be listed on the Exchange. The market capitalisation of these companies as on 31 st October, 2000 is Rs. 388.64 crore.

(d) SEBI has intimated that in the OTCEI. valid document for trading earlier was thecounter receipt (CR) only. The exchange has now shifted from CR mode of trading tophysical share certificate or dematerialised mode of trading w.e.f. March 1, 1999 with the permission of Ministry of Law, Justice and Company Affairs. Accordingly, all companies listed on the exchange were directed to cancel the CRs being held by the investors and despatch share certificates in lieu of the same. As on 18.12.2000, out of 114 listed companies, 38 companies have not complied with the requirement of the said conversion.

(e) and (f) SEBI has intimated that the Registrar and Transfer Agents are not processingthe conversion requests of the investors and despatching the share certificates in lieu of the counter-receipts mainly due to non-payment of fees by the companies, non-authorisation from companies for conversion and inability to locate some of the companies. The exchange is following up regularly with these companies to resolve the matter. The Registrars of Companies have been approached by the exchange for initiating action against these 38 companies who have not yet met with the Exchange`s conversion directive.